PATTERSON
REAL ESTATE ADVISORY GROUP

CAPITAL VIEWS

"...Things aren't totally at a standstill. We are as busy as a firm as we've ever been, and our sense is the second half of the year will remain that way – or get even busier."

PATTERSON PERSPECTIVE

LANCE PATTERSON, ***Chief Executive Officer***
lpatterson@pattersonreag.com

I have sat, staring at my computer on and off over the past weeks as I've made various attempts to start the opening article in our company's mid-year 2020 newsletter. Normally, I start with some words of thanks to our clients, the people who work in our firm and others with whom we interact in our business. And make some other glib comment about the difficulty I sometimes find in putting my thoughts about our industry into words that I hope will be meaningful to the reader.

But over the past few weeks, I have struggled to know how to begin this article, dated summer of 2020. Normally I wouldn't even have a thought of writing about anything other than the commercial real estate markets, as that is what our firm is involved in and is why I assume all of you might take the time to read our newsletter. But now I think should I instead write about the current social unrest in our country? Talk about how we have handled the coronavirus pandemic? Discuss our political environment? Heavy themes all, topical, important and weighing on all of us. And like you, I certainly have my thoughts, beliefs and opinions. So, I'll say what I believe and what we as a company believe:

We strive to be kind, helpful, thoughtful, fair and open. As a business we wish to serve our clients, work hard, honestly and diligently on their behalf. We believe all people are deserving of respect. We believe we are fortunate to live in the times and the places we are now in. We try to do our part to contribute to the economy and welfare of ourselves, our cities, states, region and country. We understand we are not perfect, but we seek ways that we can be better. And we look to the future with hope and optimism.

And so, in that vein, now to some words about what we've been up to and what we're seeing in the capital markets.

US

We are proud to welcome Todd Flaman as a new partner in the firm, joining me, Ken and Bill. Todd joined us five years ago and has been a blessing. Thank you, Todd. We are also pleased to announce the promotions of Hayes Brewer to associate and Jordan Johnson to senior analyst. Thanks Hayes and Jordan for all of your hard work. And we're excited that Javier Morales and Katie Busch will join us shortly as new colleagues, Javi as an associate and Katie as an analyst.

While like everyone else our company's business has been negatively impacted by the pandemic, we still had the best first five months of a year that we've ever had. During the past 90 days, we've closed multiple transactions, and we've taken on many, many new assignments. So things aren't totally at a standstill. We are as busy as a firm as we've ever been, and our sense is the second half of the year will remain that way – or get even busier.

OUR INDUSTRY

Bridge loans are in our opinion the least active position in the commercial real estate capital spectrum. Most bridge loans are provided either by debt funds or mortgage REITS set up specifically to lend on value-add assets, or they're provided by banks. The debt funds are on the sidelines as they're dealing with issues in their existing portfolios (mainly hotels and retail), and the groups that lend to the debt funds – their line lenders – have greatly restricted their ability to do anything new. We don't see this part of the capital markets reaching a sense of normalcy until later this year, maybe even into 2021.

Traditional "common" equity is somewhat at a loss on how to act in today's market. While this type of capital is very abundant, there is uncertainty on how to value assets, and most of these players don't have pressure to invest. So while they'll look at most transactions they're presented, unless there is something unique or compelling, for the most part they aren't transacting.

Preferred equity/mezzanine debt is in our opinion the most active position in the commercial real estate capital spectrum. There has always been capital set up specifically to invest at this level and most of it has focused historically on apartments. As this product type has held up well, these capital providers have few if any problems in their existing portfolios. And the common equity providers have now entered this space – while they get a lower return, they find the lower risk position comforting in today's environment.

Banks puzzle us as a firm, and personally they frustrate me. Very few admit to having many problems in their existing portfolios. Yet some, maybe half, are on the sidelines, unwilling to consider new transactions under the premise that the environment is poor. It's impossible to predict when things will settle and consequently who would want to make loans at this time. We disagree with their assessment and feel there are many good loan opportunities today. Fortunately, many banks are lending, and we are having success getting projects financed.

In March when the pandemic exploded, much of the equity markets felt there would be massive amounts of distressed opportunities they could invest in. Some were giddy, obnoxiously so. We never felt there would be great amounts of distress (outside of hotels and retail), and we think most capital is coming around to that opinion. Some distress for sure, but nothing like what was expected.

As an overriding theme – capital is more conservative, pickier and more expensive. Anything from a bank will likely require recourse. This will likely be the case through the fall. If you're looking for equity and have a compelling deal, you should be able to find money. Apartments and industrial are looked at favorably. Hotels and retail aren't. Office confuses everyone. Smaller banks are active and a good place to get a deal done.

Finally, for our first four newsletters I ended with something personal, and I'm going to continue that theme today. I've talked before about having three sons. My eldest has been living in Spain for I think now five years and is coming home to visit in a few weeks (I hope). He misses his country and his family, and I miss him. My middle son is an EMT and drives an ambulance in Buffalo. He caught the coronavirus in March from a patient he was transporting but is now ok – thank you Nate for your service to us. I can't wait to see you and Erin next week. My youngest son Andrew just finished his second deployment in the Marine Corps and in August will start a training course for the special ops forces. I'm proud of all of them! And for the rest of us – keep the faith!

2020 CLOSED TRANSACTIONS

CLIENT	MIDDLE STREET PARTNERS
PROJECT	ATLANTIC BEACH HOUSE
MARKET	CHARLESTON, SC
TYPE	MULTIFAMILY DEVELOPMENT
ASSIGNMENT	CONSTRUCTION DEBT AND EQUITY
CAPITAL SOURCES	TREI REAL ESTATE, NORTHWESTERN MUTUAL

CLIENT	MIDTOWN WEST ASSOCIATES
PROJECT	BRICKWORKS
MARKET	ATLANTA, GA
TYPE	RETAIL PORTFOLIO
ASSIGNMENT	SALE
CAPITAL SOURCES	ASANA PARTNERS

CLIENT	PRIVATE INVESTORS
PROJECT	690 11TH
MARKET	ATLANTA, GA
TYPE	INDUSTRIAL ACQUISITION
ASSIGNMENT	BRIDGE DEBT
CAPITAL SOURCES	AMERIS BANK

CLIENT	REGENT PARTNERS & THE LOUDERMILK COMPANIES
PROJECT	THOMPSON BUCKHEAD
MARKET	ATLANTA, GA
TYPE	HOTEL DEVELOPMENT
ASSIGNMENT	CONSTRUCTION DEBT AND EQUITY
CAPITAL SOURCES	CROWDSTREET, GOLDMAN SACHS

CLIENT	THIRD & URBAN
PROJECT	FREEMOREWEST
MARKET	CHARLOTTE, NC
TYPE	CREATIVE OFFICE ADAPTIVE RE-USE
ASSIGNMENT	CONSTRUCTION DEBT AND EQUITY
CAPITAL SOURCES	ANGELO GORDON, CADENCE BANK

CLIENT	VENTURES DEVELOPMENT GROUP & BATSON-COOK DEVELOPMENT COMPANY
PROJECT	SOUTHBANK URBAN RESIDENCES
MARKET	JACKSONVILLE, FL
TYPE	MULTIFAMILY DEVELOPMENT
ASSIGNMENT	CONSTRUCTION DEBT AND EQUITY
CAPITAL SOURCES	NATIONWIDE, CADENCE BANK

2020 CLOSED TRANSACTIONS

CLIENT	**TWO CAPITAL PARTNERS**
PROJECT	**209 7TH AVENUE**
MARKET	**NASHVILLE, TN**
TYPE	**MULTIFAMILY ADAPTIVE RE-USE**
ASSIGNMENT	**CONSTRUCTION DEBT**
CAPITAL SOURCES	**FIRST HORIZON**

CLIENT	**PRIVATE INVESTORS**
PROJECT	**10TH & HOWELL MILL**
MARKET	**ATLANTA, GA**
TYPE	**INDUSTRIAL ACQUISITION**
ASSIGNMENT	**BRIDGE DEBT**
CAPITAL SOURCES	**RSE CAPITAL PARTNERS**

CLIENT	**URBAN REALTY PARTNERS & PRESTWICK COMPANIES**
PROJECT	**982 MEMORIAL DRIVE**
MARKET	**ATLANTA, GA**
TYPE	**MULTIFAMILY DEVELOPMENT**
ASSIGNMENT	**CONSTRUCTION DEBT**
CAPITAL SOURCES	**HUMPHREYS CAPITAL, PRINCIPAL REAL ESTATE INVESTORS**

CLIENT	**THIRD AND URBAN & FCP**
PROJECT	**SYLVAN SUPPLY**
MARKET	**NASHVILLE, TN**
TYPE	**CREATIVE OFFICE ADAPTIVE RE-USE**
ASSIGNMENT	**BRIDGE DEBT**
CAPITAL SOURCES	**U.S. BANK**

CLIENT	**PREFERRED OFFICE PROPERTIES**
PROJECT	**251 ARMOUR**
MARKET	**ATLANTA, GA**
TYPE	**CREATIVE OFFICE ADAPTIVE RE-USE**
ASSIGNMENT	**BRIDGE DEBT**
CAPITAL SOURCES	**FIRST CAROLINA BANK**

STATE OF THE LENDING COMMUNITY

LAURA CLOUD, ***Director***
lcloud@pattersonreag.com

As we entered the COVID crisis in mid-March, the Patterson team engaged with capital providers on a daily basis in an attempt to glean clarity on: how they viewed the world, had their investment thesis changed, were they open for business and looking at new deals, etc., etc. Lenders unanimously responded that they were inundated with forbearance requests, all with a measured and tolerant approach. The "standard" accommodation package included 90 days deferment of principal and interest to almost every customer that put forth a request. Furthermore, banks began accepting applications in April for the Paycheck Protection Program (PPP) and remained laser focused for the balance of the month on the processing of these loans, providing stability for both customers and the economy. Lending institutions, at least for now, appear to be on the other side of the tsunami and in some cases, are evaluating new opportunities, while many are building reserves to prepare as we come out of the lock down.

Although it has been over a decade since the 2008-09 financial crisis, the trials that the US banks faced back then are not so far in the rearview mirror for many of us. It begs the question: 'Just how well poised is the current banking system to weather a global pandemic?' As a reminder, over 525 banks were shuttered between 2008-2010, primarily due to the deregulation of the financial industry and bad loans. This current economic crisis revives memories of the Great Recession, yet the underlying root cause is dramatically different. Most believe that the current recession was driven by a dramatic economic contraction caused by a pandemic, and the impact on real estate is one of the symptoms (pun intended). If true, this lies in stark contrast with the Great Recession, where the real estate market was a significant, if not the primary driver.

As the early stages of the COVID-19 crisis unfold, parallels continue to be drawn to the Global Financial Crisis in terms of banks' and lenders' ability to navigate the inevitable downturn. It is too early to give anything like a definitive view of how deep and how long this downturn might be, but it is possible to look at some key metrics that inform likely outcomes in terms of these lenders' resilience. It is important to note that most businesses did not shut down until the second half of March, and therefore first quarter reporting may offer only a first glimpse at the impact of the corona-induced recession on the banking sector.

Here we consider four metrics at a high level, based on publicly available data, to measure the profitability, liquidity and asset quality of both the US lending institutions as a whole as well as those banks that Patterson works with on a more frequent basis. The metrics are as follows:

Profitability
- Return on Assets
- Return on Equity

Liquidity and Asset Quality
- Non-Performing Assets
- Common Equity Tier 1 Capital

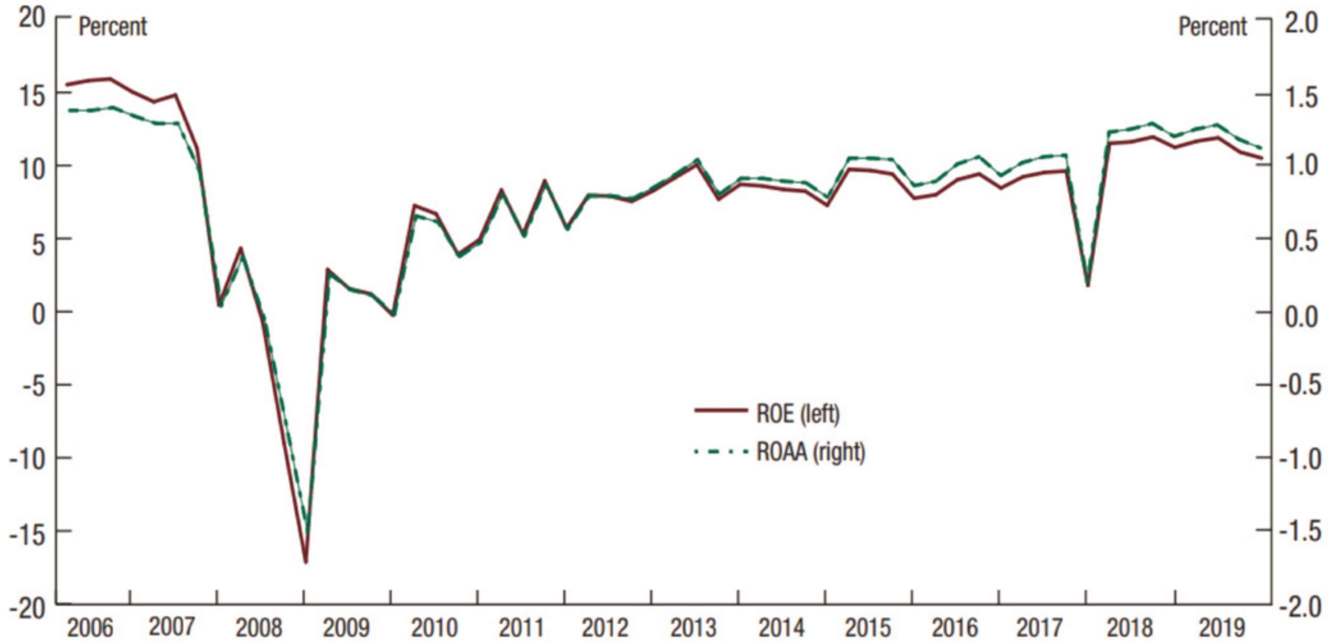
RETURN ON ASSETS AND RETURN ON EQUITY

Return on assets (ROA) is the most commonly used benchmark for bank profitability. ROA is a ratio of net income produced by total assets. In other words, it measures how efficiently a company can manage its assets to produce profits. Historically speaking, a ratio of 1% or better has been considered pretty good for banks. As we began 2020, the average ROA for all U.S. banks was 1.20%, some of the highest profitability metrics since prior to the Great Recession.

Return on equity (ROE) is also a key profitability metric that investors use to measure the amount of a company's income that is returned as shareholder equity. ROE is calculated by dividing net income by total shareholder equity. Since 2009, bank ROEs have averaged between 5%-10%, only recently breaking above 11%. Heading into the COVID crisis, U.S. banks averaged 10.51% ROE.

ROA and ROE have both seen significant improvement since 2010. Financial institutions have generated steady profits, theoretically positioning them well to support continued lending through a crisis. The two measures ended 2019 well above their long-run averages suggesting they are entering the crisis in a position of strength.

BANK PROFITABILITY



Note: ROAA is net income/quarterly average assets; ROE is net income/average equity capital.

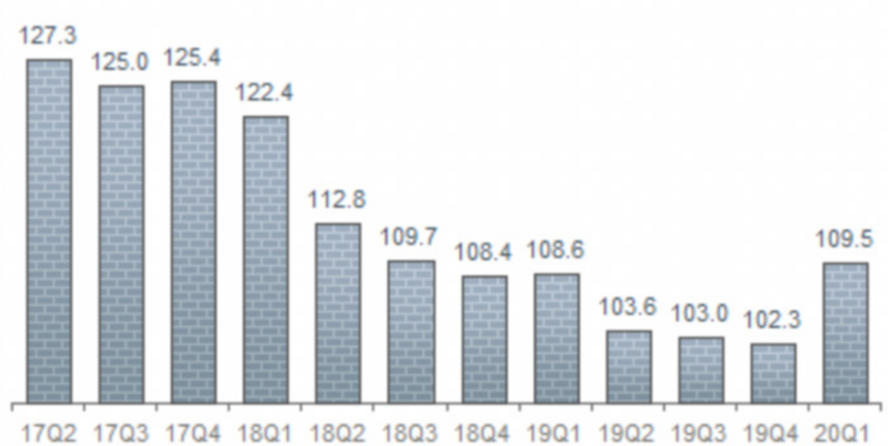
Source: Call Report and FR Y-9C.

Earnings reports from Q1 2020 show bank earnings have degraded significantly. ROA and ROE declined to .39% and 3.5% respectively. This substantial decline is due to two main factors: an increase in loss allowance reserves and new regulation. Banks have begun to build large allowance reserves due to the weighting placed on the dour economic scenario that lies ahead. Furthermore, immediately prior to COVID, lenders were subject to the adoption of the Current Expected Credit Losses (CECL) regulation, an accounting methodology in which banks set aside allowances for lifetime loss expectations. The combination of these two factors dramatically affected net income to the tune of a 70% decline from the year prior for the 5,000+ banks insured by the FDIC.

NON-PERFORMING ASSETS

The Non-Performing Assets (NPA) ratio measures the overall quality of a bank's loan book. NPAs are those assets that are either in default or close to it. The nonpayment of principal or interest impacts a lender's cashflow and can reduce the capital available for subsequent loans and overall profitability of the bank. Given the sudden halt to the economy, there has been a marked rise in defaults and non-performing loans. NPA for U.S. banks saw a $7.2B increase with a reported 25% increase in NPAs for commercial real estate alone, increasing from $2.21B in Q4 to $11.5B in Q1.

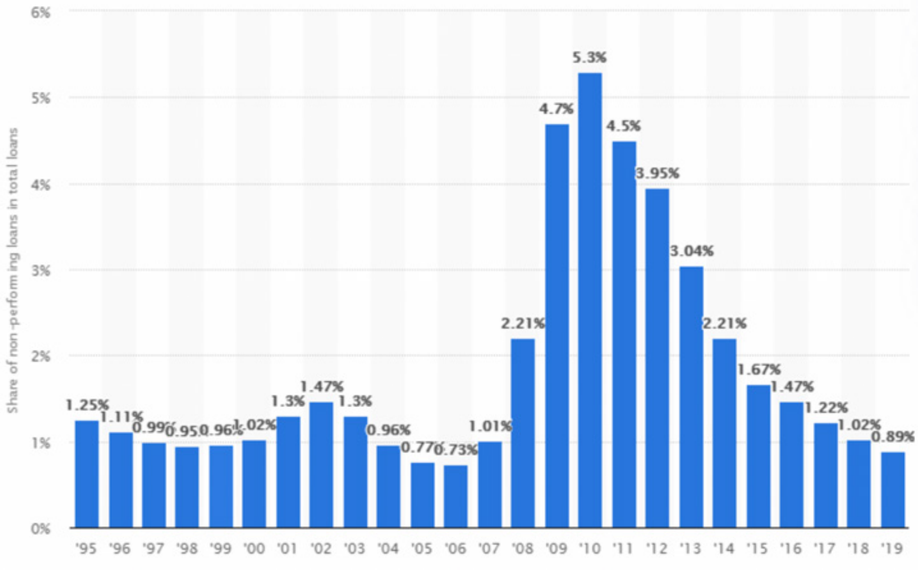
NON-PERFORMING ASSETS (BILLIONS)



It should be noted that these figures exclude those loans that have been granted forbearance but were current at the time payments were halted. This signals that if there is a prolonged downturn, delinquency numbers could rise.

However, lenders have dramatically improved the quality of loans over the past decade with NPA ratios at record lows for the decade. In 2019, 0.89 percent of the loans that banks in the United States held were non-performing. This means that 99 percent of loan recipients were repaying their bank back at that time, which is a significant improvement from the 5.3 percent of non-performing loans in the aftermath of the financial crisis.

SHARE OF NON-PERFORMING LOANS HELD BY BANKS IN THE U.S. FROM 1995-2019



COMMON EQUITY TIER 1 CAPITAL

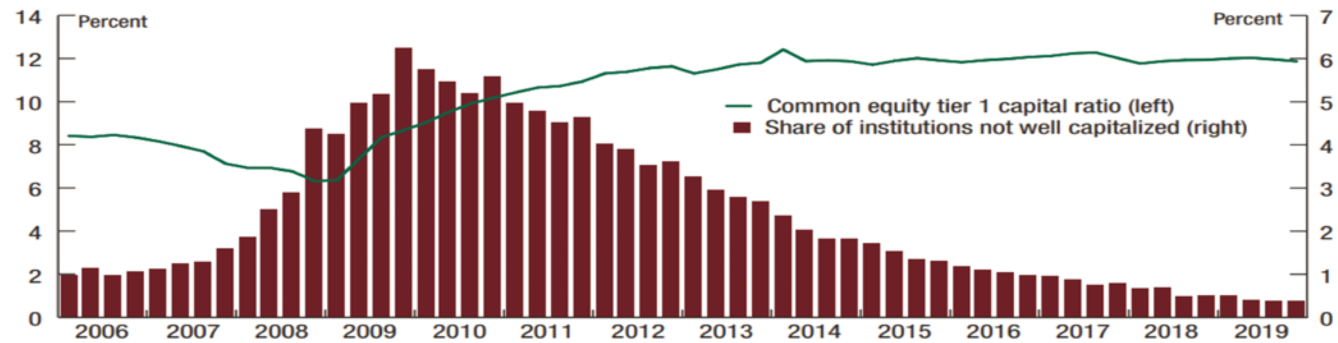
Common Equity Tier 1 Capital (CET1) is a measure of bank solvency that gauges a bank's capital strength. All banks must have a minimum CET1 risk-weighted assets ratio of 4.50%. Generally, a bank with a high capital adequacy ratio is considered safe and likely to meet all its financial obligations. A good amount of stress tests against banks use Tier 1 capital as a starting measure to test a bank's liquidity and ability to survive a challenging monetary event.

U.S. institutions entered the current crisis with substantially greater capital and liquidity resources than they had at the onset of the global financial crisis. In 2007, US banks with more than $50 billion in assets had an average CET1 ratio of roughly 7 percent. In contrast, at the start of 2020, US banks' CET1 ratio was about 12 percent. Most leading US banks today are positioned to weather a substantial capital depletion without falling below regulatory minimums.

CONCLUSION

Overall, our early view is that going into this global pandemic, it appears the banking system is not as stressed or as fragile as it was over a decade ago. While many banks have not been fond of increased regulations such as Dodd Frank, the byproduct of those policies, including increased liquidity, are proving to be quite useful. However, profitability has been significantly impacted due to low interest rates, new regulation at an importune time and mounting reserves to prepare for the worse-case scenario. So, while lenders have entered into this crisis in a position of strength, their ability to withstand stress is not limitless. The big question going forward is the duration of the downturn and pace of the recovery as well as the additional provisioning required for lenders. At some point there may be a tipping point that could change the outlook for banks.

COMMON EQUITY TEIR 1 CAPITAL RATIO/SHARE OF INSTITUTIONS NOT WELL CAPITALIZED



Note: Common equity tier 1 capital ratio is the ratio of tier 1 common equity to risk-weighted assets. See the data appendix for further information.
Source: Call Report and FR Y-9C.

ATLANTA MARKET BRIEF

BILL MEALOR, *Senior Managing Director*
bmealor@pattersonreag.com

THE GREAT PAUSE

We commenced this year with unmatched optimism derived from the strongest pipeline our company has had to date. Our momentum didn't fully stop as we endured the hard-to-imagine events in the first two quarters of this year, but life pivoted. On the bright side, these recent months have offered unheard of opportunities to connect or re-connect with others as normal routines paused. We found opportunities to spend time with kids and family while balancing home school, work and new realities (third grade is harder than I remembered). Thanks to technology, we re-connected with old friends, and thanks to a beautiful spring in Atlanta we spent a lot of time outside connecting with new friends around the neighborhood.

Despite there being "A Great Pause," projects moved forward and progress has been made. Patterson raised $460 mm for nearly 20 projects in the first quarter. Half those deals closed in March or thereafter. Importantly, we have commenced work on several new assignments since the onset of COVID, and we have sourced interested capital. To echo the theme from prior newsletters, the ability to maintain momentum, close deals, and progress transactions is not only a reflection of the quality of our clients and their projects but also a reflection of investor confidence in our markets. The confidence is well earned.

Will Southeastern Markets Rebound More Quickly Than Other Cities?

While investors may be paused, there are fundamental reasons for optimism in our markets. There is a growing consensus that many cities in the Southeast are well-positioned to rebound quickly. In addition to the strong demographics and potential "flight to less density" that Ken details in his section, a research report published by Nuveen theorizes that fiscally strong cities with higher concentrations in technology and health care industries may emerge from the COVID-led recession sooner than cities that have higher concentrations of small businesses or that lack these leading sectors. Nashville and Atlanta rank highly overall in this report due to:

- High concentrations in healthcare and technology,
- Low concentrations in small business as a percentage of overall employment,
- Strong municipal fiscal health ratings, and
- Low exposure to energy industries

Without doubt, tourism, group-oriented travel and entertainment will lag, but the appeal of the Southeast's population trends, its favorable business climate, and the growing corporate diversity may accelerate trends that we have seen in recent years. There is growing and informed speculation that more relocations are coming to Patterson markets because firms are accelerating plans to migrate from the Northeast into cities such as Atlanta, Charlotte, Raleigh and Nashville. This would be a trend that adds to already good fundamentals in Atlanta like:

- Up to **80% of the approximately 4 million SF of new office space in Midtown may already be pre-leased**, with tech firms spurring the activity

- Atlanta employs 41,441 software developers – twice as many as Charlotte or Raleigh, according to JLL

While capital markets may be in an early thaw as investors still struggle to determine viable opportunities, there is hope in the long-term fundamentals of our city. For that reason, our clients are still progressing design drawings on office developments. We have seen community and regional banks provide capital to strong projects and to relationship borrowers with strong business plans.

SOME NOTABLE OCCURRENCES WORTHY OF OPTIMISM ARE:

- Midtown continues to experience leasing buzz with a couple of recent announcements:
  - Microsoft leasing 523k SF at Atlantic Yards – 1,500 workers
  - Google is expected to occupy at least 475k SF at nearby 1105 West Peachtree
- Thompson Hotel, Buckhead - Regent & Loudermilk closed on a loan with Goldman Sachs to construct a 200-room Thompson Hotel, and construction is moving forward;
- Lower Tuck, Charlotte - Cadence Bank out of Atlanta provided an acquisition and construction loan to Third & Urban and Angelo Gordon to redevelop multiple warehouses into 260,000 square feet of creative office in Charlotte;
- Quadreal provided CA Ventures with $100 mm+ construction financing in Midtown for a 417-unit, 33-story multifamily project;
- Portman is advancing design drawings and plans on their mixed-use site on Spring Street in Midtown while Cousins advances plans for their 32-story office tower at 901 West Peachtree. Both developers presented plans to the Midtown Development Board in June.
- Portman closed on a ground lease at the Three-Dollar Café site in Buckhead with future plans for office, multifamily, and a hotel project.

Thompson Hotel Buckhead

I'm optimistic that the strong fundamentals that winded our sails before COVID will be the same tailwinds that quickly guide us into recovery. A lot needs to happen outside of business and real estate for a full recovery to occur. A pause means there will be a restart. No one knows exactly what the landscape will be on the other side. I'm certain 2020 will be a year to remember, and, hopefully, a year that makes our community stronger and better.

CHARLESTON MARKET BRIEF

KEN GRIMES, ***Senior Managing Director***
kgrimes@pattersonreag.com

SUMMER BACHELORS LIKE SUMMER BREEZES, ARE NEVER AS COOL AS THEY PRETEND TO BE.

— NORA EPHRON

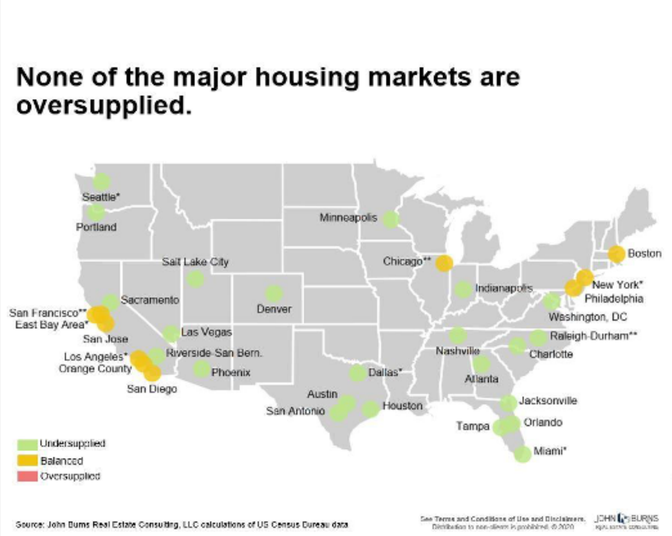
While the meme to the left illustrates what many may feel halfway through 2020, we are hopeful that the current struggles both of health and equality bring positive change across our country and industry.

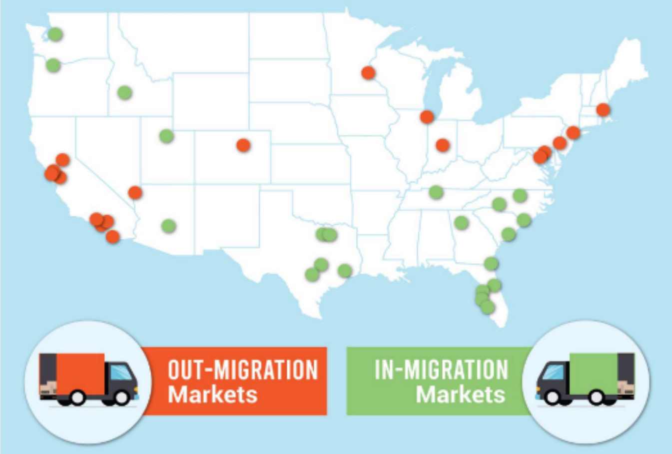
We recognize that we will never have, nor in some cases should we have, the "return to normal," that was so often referenced at the start of the COVID-19 season. But we also believe in the ability to work together for solutions on all fronts, and that there will be an "other" side. To that end, we're going to focus our update on some positive happenings in the Charleston market that we see as impactful to the overall real estate community and highlight a few recent transactions that will shine light on the "other" side.

CHARLESTON / REGIONAL IMPACTS

Flying south... for the summer?

Following a growing trend that we've tracked for a number of years, the current situation is accelerating the movement of people and businesses to the Southeast and Sunbelt. We've quoted economist/consultant John Burns in the past and think his two recently published charts are interrelated and illustrate both the movement and the inherent demand that has been created. That said, as Burns noted in his article, while not overbuilt, some markets could be overpriced – which is an acknowledged problem in all product types. One question





we can't seem to answer beyond a lot of predicting is, will we see real cost reductions due to decreased demand around the world? If you've experienced it, we'd love to hear about it.

Indigo Road Hospitality's
Boutique Hotel Management.

Steve Palmer's Indigo Road has joined forces with hotel industry veteran Larry Spelts to launch a boutique hotel management platform combining their talents in a targeted fashion. With half of a boutique hotel's income often coming from food and beverage, we see this as a logical and exciting way to create a seamless customer experience. We've been collaborating with Larry and Steve on a number of projects and are very excited about how they are filling a hole in the hospitality market. Click here for more information.

Residential market rebound gives hope
for post-COVID reality.

While there was significant drop-off in Charleston area sales during the economic shutdown, that only served to build demand in a market already seeing increased pressure from in-migration. Leading realtor Carolina One reports that the week of June 8th was the fourth best week in their company's history, and that the bottom passed about nine weeks ago. For the past four weeks, sales contract levels are up more than 20% over 2019 levels. Additionally, we're hearing anecdotal information from drivable beach communities like Kiawah that their activity is off the charts due to a broad demand from around the Southeast and Northeast. And our friends at East West Partners ("EWP") report similar dynamics in the Vail Valley – the last two weeks of May 2020 had sales contract numbers up 72% and sales volume up 127% over 2019 – wow! Closer to home, EWP has started to test the waters and opened sales on its Daniel Island Project, the Waterfront. With 11 tours and five contracts on the first day, it looks like the market is ready for this great new development!

CHARLESTON ACTIVITY OF NOTE

Atlantic Beach House – marsh front living in Mount Pleasant, a long time coming!

In 2014, Middle Street Partners put an entitled, marsh front site in Mount Pleasant under contract to build a traditional multifamily development with exceptional views and great beach access. More than five years later in early 2020 after lots of drama, Middle Street and its equity partner TREI Real Estate along with lender Northwestern Mutual started construction on Atlantic Beach House, which will deliver a new level of island/beach living to the Low Country.

West Ashley revitalization moves forward – a team,
a vision becoming a reality.

While the West Ashley area of Charleston has long been the beneficiary of a great amount of the region's growth, it has seemingly done so in an opportunistic and less planned manner when compared to other areas. The current administration has made it a priority to change that and create a foundation from which exciting, but smart growth can continue. Last year, the City bought a key piece of real estate to start re-defining the West Ashley corridor. Following an RFP last year, Liollio Architecture and Mount Pleasant-based Landmark Enterprises were selected to design and develop the gateway project with the City. In May 2020, in the midst of a crazy world, the team presented initial designs and is moving the project from design to reality.

Charleston Hospitality Market – Will the "V" be there?

In general, the hope for a "V" shaped economic recovery has left the realm of possibility, but we are still optimistic about one pocket of our economy. With the extended stay at home mandate followed by a long summer without camps or other activities for kids, we are quickly seeing drivable beach and destination markets starting to experience real demand spikes. All the vacation rentals have been sucked off the market. As hotels are fully reopening, we're seeing Charleston occupancy rebound quite rapidly. As an illustration, on the Charleston peninsula for the month of April, hotel occupancy was 11.9% with an ADR of $113.40 and REVPAR of $13.50 – a drop of more than 94% from last year's April REVPAR. Recent conversations suggest the tide is quickly turning. One of the more prominent hotels that never closed has confirmed for the first half of June their occupancy will be approaching 80% with an ADR well north of $300. Many other hotels that are just reopening are seeing occupancies well in excess of 50%, which is a long way to go, but a great start.

The Finale?

As Lance notes in his introduction, we will all continue to work on being our best selves in and out of work, and we are thankful to have so many friends and clients in the industry – and friends that are clients for that matter! Hopefully, everyone is navigating this world as best as they can. Please let us know if we can be of any help or reach out just to talk shop. We love that as well. Take care, and here's to the second half of 2020 and whatever it may bring!

CHARLOTTE MARKET BRIEF

DREW BARNETTE, *Director*
dbarnette@pattersonreag.com

HINDSIGHT IS 20/20... OR IS IT?!?!

As we approach the halfway mark of an already eventful 2020, I've reflected on the many things I'm thankful for amidst these uncertain times. I work alongside some of the most talented, hardworking and exceptional people. I'm thankful for these teammates and the collaborative culture that serves as the very foundation of our company. Today's circumstances have forced us all to re-examine much in our daily lives; I'm grateful for the team I work with every day.

Patterson Charlotte (Carillon Building)

Patterson Charlotte 2nd Anniversary...and We've Moved
This summer marks the 2nd anniversary of the opening of the Patterson Charlotte office. The two years have gone by quickly, and it's been an exceptional team effort in every way.

In March, we moved into our much anticipated new office space in The Carillon Building. Our COO, Suzanne Holman, who wears many hats for the company, tirelessly worked over the past year managing lease negotiations, design, budget and project buildout. The result is fantastic, and I greatly look forward to hosting many of you as we slowly return to a state of normalcy in the months ahead.

THE SOUTHEAST STORY

As the state of things quickly evolves in all of our markets, we continue to remain bullish on the favorable growth trends the Southeast region experienced over the past decade. Regional mobility, affordability and quality of life factors we believe will continue to drive, potentially at an even greater pace, population center and economic hub growth throughout the Southeast. Charlotte, in particular, remains well positioned in the post-COVID world with the region's strong emphasis on collaborative economic development and infrastructure expansion. Development in the Charlotte region continues to remain active as several marquis projects are set to deliver in the next 12 to 18 months. Two particular projects that highlight Charlotte's continued transformation, both near- and long-term, include Gateway Station and Lower Tuck.

Gateway Station's Future Begins to Take Shape:
Following a formal RFQ and RFP process that began in 2019, the Charlotte Gateway Station Steering Committee selected Spectrum Companies and their Washington, D.C. based partner, Republic, to lead the development of Charlotte's key multimodal transit hub. The project will bring an Amtrak rail station to Uptown and also serve as a central station for Charlotte's light rail system. Phase I of the project began two years ago and is about 50% complete. Initial work includes the construction of 2,000 feet of rail track, signals, five new bridges and a platform. As Chairman and CEO of Spectrum Companies stated, "This is a 100-year development, and it's very, very important to get it right."

Lower Tuck…Third and Urban Dives into the Charlotte Market:
Third & Urban, along with partner Angelo Gordon, acquired four warehouse properties along Jay Street, Tuckaseegee and Gesco in the burgeoning area just west of Uptown. Lower Tuck, as Third & Urban has designated the moniker of both the project and the district, will be a transformative anchor to the neighborhood that is already experiencing a critical mass of commercial tenancy leasing velocity. Lower Tuck, an adaptive-reuse project, will be comprised of approximately 260,000 square feet across the four buildings and will incorporate the historical and architecturally interesting elements that have become design hallmarks of Third & Urban's projects throughout the Southeast. The Queen City looks forward to the same placemaking imprint Third & Urban has made in other markets in Charlotte.

As always, and particularly during these times, we thank our valued clients for their continued trust in our team!

Third & Urban's Lower Tuck Development

NASHVILLE MARKET BRIEF

LAURA CLOUD, ***Director***
lcloud@pattersonreag.com

DANGEROUS OPPORTUNITIES

If you loathe the first six months of 2020, you are not alone. In preparation for writing this newsletter, I looked back at our winter edition and felt a longing in my heart for that atmosphere of excitement that came through at the dawn of a new decade. And yet, 2020 will go down in history books not in the manner we initially forecasted, but rather as heavy, exhausting, and important.

So much has happened in so little time... the tragedy in 2020 is almost comical, in a Shakespearean way. We kicked off the year with Australian bushfires killing over 500 million animals, Prince Harry and Megan Markle shocked the world and decided to 'become financially independent' in their mid 30's. We debated the term 'quid pro quo' to the tune of the third impeachment ever of a sitting U.S. president. We lost a basketball phenom and his daughter in a tragic helicopter crash. After three long years, the Brits are faced with an identity crisis with their official departure from the EU. And this was only in January!

With all of the events ensuing in the world, Nashville seems to have endured its fair share this first half of the year.

- March 2nd - Three days before the first diagnosed case of COVID, a category four, 165 mph tornado ripped through Nashville, leaving 25 people dead and $2B in damage.

- March 5th - While the City was cleaning up the devastation and working on getting citizens back into their homes, Nashville diagnosed its first COVID case. Seven short days later, Governor Bill Lee declared a state of emergency. A stay at home order was issued on March 22nd.

- April - Nashville's Mayor Cooper ran on a platform of fiscal management versus sizable property tax increases. However, after nine months in office, the Mayor announced an immense property tax increase. Cooper proposed a property tax increase of 32% to balance ongoing revenue losses from COVID-19, tornado damage, and budget increases. The City must approve next year's budget by June 30th.

- May 2nd - Exactly 60 days after the tornado, powerful thunderstorms knocked out power for over 130,000 residents, marking the largest power outage in history.

- May 25th - George Floyd was tragically killed by a police officer, and the Black Lives Matter movement exploded in the U.S. and globally. Pockets of violence erupted throughout downtown forcing the Mayor to impose a curfew while Governor Bill Lee requested the National Guard to stabilize the City. Rioting and peaceful protests continued for the next week.

However, despite the unprecedented events in the world over these past six months, Nashville continues to make progress on many fronts, positioning us for continued success as we strive to maintain the vibrancy and energy that we love so much about this City.

- **MLS Stadium** - The MLS stadium is moving forward with an estimated completion date of May 2022. After a very public battle with Nashville's Mayor John Cooper, John Ingram, the owner of the Nashville SC MLS team, stepped up to absorb an additional $54M of costs to commence stadium construction and meet the timeline for the 2022 season.

- **NFL Draft Round 2?** - As many know, Nashville hosted the 2019 NFL Draft and obliterated the record for direct spending by visitors, generating $132.8M -- the single most lucrative multi-day event ever recruited to Nashville. Given the smashing success, Nashville recently announced it put in a bid for the NFL Draft in 2024 and 2025.

- **NASCAR** – Gentleman, start your engines… On June 3rd, NASCAR announced that Nashville Superspeedway would reopen to host the NASCAR Cup Series in 2021. A new track will be built in Lebanon, Tennessee (about 40 minutes outside of Nashville), kicking off Nashville's first NASCAR Cup race in 37 years. NASCAR estimates 25,000-50,000 will attend.

And of course, we must hit on some remarkable real estate transactions that are either underway or have been closed during this unprecedented time. Nashville still touts 34 tower cranes. And while there are headwinds today that didn't exist six months ago, Nashville still provides the long-term fundamentals that real estate investors are pursuing in the post-COVID world.

NOTABLE 2020 TRANSACTIONS

- Late February - Hines went under contract for approximately $115M on the massive 11 acre Reed site on Broadway. In May, Hines secured unanimous zoning approval from City Council.

- Late March - Bank OZK provided a $278.9M loan to Propst Development for the development of Broadwest, a 1.2M square foot urban mixed-use development in Midtown.

- April - RC Nashville Development Partners (Tim Morris) purchased 1.4 acres from the Mainland Companies for $35M ($25M/acre) or a whopping $578/land foot.

- April - GBT Realty commenced construction on its 356,000 square foot spec office building located at 1221 Broadway. Mack Real Estate Credit Strategies provided the $141M loan and Koch Real Estate Investment the equity. GBT redesigned certain aspects of the building in response to the COVID crisis to address the health concerns of their office users.

- June - Amazon signed a lease for the entire WeWork space in Boyle's development at Capital View, almost 75,000 square feet in addition to the 1M square feet of office space under construction at Nashville Yards.

- June - Third and Urban and FCP, both valued clients of Patterson, closed a bridge loan with US Bank on Sylvan Supply, a recently completed adaptive reuse development located along the Charlotte corridor.

And on a lighter note, during the height of the quarantine Patterson hosted a friendly internal competition for the best song title submission related to COVID. It was an idea I stole from my next door neighbor -- it seemed so very Nashville. There are endless options with clever puns on the title: *'Stayin' Alive' - Bee Gees, 'Record Year' - Eric Church, 'So Tired of Being Alone' – Al Greene, 'Can't Touch This' – MC Hammer, 'Don't Stand So Close to Me' – The Police*. And then the more obvious titles that speak to impending shift in our lives with "Change" being the common theme like *'The Times They Are a Changing' - Bob Dylan, 'Waiting on the World to Change' – John Mayer, 'A Change is Gonna Come' – Sam Cooke*. Interestingly, the Chinese symbol for the word "change" is made up of two characters: Dangerous and Opportunity. I think this so perfectly sums up the human emotions so many of us are feeling throughout this crisis. The world has thrown us for a loop, but Nashville has the resilience to weather the storm and come out stronger. At Patterson, we recognize that there are still challenges ahead of us, but we welcome the possibility to wade these waters with you. If history has taught us anything, there will be unique opportunities that arise from these challenging times, and we are poised to help our clients seize them.

Since our founding in 2010, Patterson has closed over 250 transactions totaling more than $5 billion in capital raised with more than 100 clients

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615 3RD AVENUE S | SUITE 606 | NASHVILLE, TENNESSEE 37210

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